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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/272,542	03/19/1999	PETER B. MADOFF	10575/002001	5785

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EXAMINER

HEWITT II, CALVIN L

ART UNIT	PAPER NUMBER
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3621

DATE MAILED: 06/26/2003

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Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/272,542

Applicant(s)

MADOFF ET AL.

Examiner

Calvin L Hewitt II

Art Unit

3621

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 16 April 2003 and 5/15/03
- 2a) ☒ This action is FINAL. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-40, 55-58 and 64-78 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-40, 55-58 and 64-78 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- 11) ☐ The proposed drawing correction filed on _____ is: a) ☐ approved b) ☐ disapproved by the Examiner.
- If approved, corrected drawings are required in reply to this Office action.
- 12) ☐ The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. §§ 119 and 120

- 13) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. _____.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.
- 14) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. § 119(e) (to a provisional application).
- a) ☐ The translation of the foreign language provisional application has been received.
- 15) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. §§ 120 and/or 121.

Attachment(s)

- 1) ☒ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☐ Information Disclosure Statement(s) (PTO-1449) Paper No(s) _____
- 4) ☐ Interview Summary (PTO-413) Paper No(s). _____
- 5) ☐ Notice of Informal Patent Application (PTO-152)
- 6) ☐ Other:

Status of Claims

1. Claims 1-40, 55-58 and 64-78 have been examined.

Response to Arguments

2. The Applicant has not provided the Examiner with a definition for the term "order" that would have provided a reason or rationale such that one of ordinary skill would not have regarded the system of Harrington et al. as a prior art system of auctioning products. Specifically, the Examiner was looking for a definition to show that the Harrington et al. system lacked the feature of, "entering an order for a product". However, The American Heritage Dictionary Second College Edition defines an order as a "commission or instruction to buy, sell or supply something". Therefore, as the Harrington et al. system is dedicated to selling financial products, the auction defining process (figures 10 and 15) is an "entering an order" step, as it is financial product specific (figure 10) and serves as a commission or instruction to "sell or supply something" (i.e. financial products) evidenced by the responses to buy the financial product (column 6, lines 10-65). This is in line with the Applicant's system as an order is entered using order type, quantity, financial product and exposure time (Specification, page 9, lines 16-18) all parameters used by an auctioneer, issuer, auction

administrator...etc. when preparing a financial product for sale (figures 10 and 15; page 6, lines 10-52).

Claims 1, 14, 55, 64 and 71 recite non-functional descriptive material. In particular, each claim recites a limitation detailing an "entering a response or responses..." step as it does not effect and concludes with a matching step that requires responses to be matched to orders according to, the amended limitation of, "the conditions specified by the order". Therefore, the matching between order and response is purely a function of the conditions of the initial order and occur independent of the data specified in an entered response or responses. Hence, the "entering a response" step is merely descriptive material as it does not effect the way in which the computing processes of creating and fulfilling an order are performed (*In re Gullack*, 703 F.2d 1381, 1385, 217 USPQ 401, 404 (Fed. Cir. 1983); *In re Lowry*, 32 F.3d 1579, 32 USPQ2d 1031 (Fed. Cir. 1994)). Similarly, claims 3, 5, 7, 11, 12, 19, 66 and 78 recite non-functional descriptive material as they elaborate upon response prices. Claim 71 also recites the non-functional descriptive material of "entering pre-defined relative indications..."

In addition, the Appellant's failure to challenge the following assertions of facts has resulted in the following to be acknowledged as admitted prior art:

- Financial markets, clearing corporations and their functions

Claims 1-40, 55-58 and 64-78 are rejected.

Claim Rejections - 35 USC § 112

3. The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

4. Claims 3, 5 and 24 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

Claims 3 recite the limitation "the final price of the order" in line 3. There is insufficient antecedent basis for this limitation in the claim.

Claim 5 recites the limitation "a price that satisfies a price condition specified by the order" in lines 2 and 3. However, claim 1 only teaches order conditions such as exposure time and quantity of a product. Note it isn't until claim 9 that price is revealed to be part of an order.

Claim 24 recites the limitation "the relative portion of the price" in line 9. There is insufficient antecedent basis for this limitation in the claim.

Claim Rejections - 35 USC § 102

5. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this

Office action:

A person shall be entitled to a patent unless –

(e) the invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effects for purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language.

6. Claims 33, 34, 38, 39, and 64 are rejected under 35 U.S.C. 102(e) as being clearly anticipated by Harrington et al., U.S. Patent No. 6,161,099.

As per claims 33, 34, 38, 39, and 64 Harrington et al. teach a system for auctioning products over a distributed, networked computer system comprising:

- a plurality of workstations for entering an order for a product (e.g. financial instruments whose value changes with market conditions- bonds, stocks, paper...etc.), specifying quantity of a financial product and exposure time for which the order is displayed for responses, and for entering responses (figure 1)
- a server coupled to the workstations for processing orders (figure 1; column 6, lines 37-52)

- matching the order with the response in accordance with the exposure time specified by the order (figure 6; column 8, lines 18-28; column 9, lines 11-22; column 10, lines 32-41; column 11, lines 20-42; column 12, lines 24-30)
- executing a trade between orders and responses (abstract)
- conditions which can include price improvement attached to an order (figure 15)
- entering responses with pre-defined relative indications that exist prior to an auction or submitted after an order was entered (column 10, lines 7-12 and 51-61; column 13, lines 57-61)
- all or nothing bids (column 4, lines 38-42)
- orders that specify a minimal acceptable price improvement (figure 15)

Claim Rejections - 35 USC § 103

7. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

8. Claims 1, 2, 4, 6-11, 14-24, 25, 27-32, 35, 36, 40, 55-58, 65-72, and 74-78 are rejected under 35 U.S.C. 103(a) as being unpatentable over Harrington et al., U.S. Patent No. 6,161,099.

As per claims 1, 2, 4, 6-11, 14-25, 27-32, 35, 36, 40, 55-58, 65-72, and 74-78 Harrington et al. teach an auction system comprising:

- entering an order for a product (e.g. financial instruments whose value changes with market conditions- bonds, stocks, paper...etc.), the order specifying a quantity of the product, price and an exposure time for which the order can be displayed for responses (figures 5, 12 and 15; column 6, lines 10-36; column/line 7/65-8/18; column 10, lines 22-41; column 13, lines 53-56)
- entering a response to an order, the response specifying a relative price with a price improvement (figures 6, 10 and 13; column 9, lines 11-65; column 10, lines 12-31)
- receiving a response (with price and quantity) and match the order with the response (figure 6)
- matching the order with the response in accordance with the exposure time specified by the order (figure 6; column 8, lines 18-28; column 9, lines 11-22; column 10, lines 32-41; column 11, lines 20-42; column 12, lines 24-30)
- entering pre-defined relative indications (e.g. quantity) that correspond to a willingness to respond to orders to buy or sell the product if an order for

the product arrives, wherein the pre-defined indications specify a price relative to an indicator of the current prevailing market price (figure 6)

- retrieving an oldest response, other order, or pre-defined relative indication and determining whether the oldest response, other order, or pre-defined relative indication satisfies the order (figure 6)
- executing a trade between the first order and one of the other orders or responses that matched the first order (figure 6; column 12, lines 24-30)
- conditions attached to an order (figure 15)
- all or nothing bids (column 4, lines 38-42)
- workstations where pre-defined relative indications can exist in the system before (column 14, lines 10-13) or after (figure 10; column 9, lines 13-39) an auction for a product

Claims 2 and 77 recite an exposure time of less than 30 seconds.

Harrington et al. teach exposure time (figure 15). Hence the window for bid submission would be merely a matter of design choice. Further, Harrington et al. disclose dutch, single bid and no competition auctions (figure 15; column 1, lines 35-50) hence in these instances where a seller expects rapid responses, it would have been obvious to have shorter exposure times.

Claim 24, 57, 69 and 78 recite matching an order with a response during the exposure time at the price of the response, where the price of the response

varies according to a "best bid" (e.g. national best bid/offer) or generally accepted indicator. This is taught by the Harrington et al. reference (figure 6; column 9, lines 11-22). Specifically, the bond seller may restrict the system to only allow better bids, hence bids subsequent to the submission of the best bid most result in a price improvement in order to be valid (figure 15; column 9, lines 23-54; column 10, lines 13-22). Hence, the price varies according to a best bid.

Harrington et al. also teach that bidders are sensitive to outside prices and use this information to determine a response (column 3, lines 13-22). Similarly, teach orders that have unrevealed conditions, such as required price improvements (figures 5, 6, 11, and 15). To one of ordinary skill it would have been obvious to base this improvement on any data (column 3, lines 13-22), the bond seller believes will bring the best price.

The Applicant has amended claims 1, 14, 64, and 72, to include the limitation of matching the order with a first response that meets all the conditions specified by the order and terminating the auction once a response has been matched with an order. While claims 7, 40, and 71 recite response data being "undisclosed to participants in the market until and unless matched with an order" (column 1, lines 35-50). Harrington et al. disclose sealed-bid and silent and blind auctions where current highest bid and identity are unknown, and not revealed until the close of the auction. Harrington et al. also disclose a "Dutch flower auction" where the first buyer to accept an offer wins the product up for auction

(column 1, lines 35-50). Therefore, it would have been obvious to one of ordinary skill to apply features of the Harrington et al. system to prior art auction types such as dutch or sealed auctions in order to allow users to participate in the auction process without requiring their (i.e. users) physical presence (column 1, lines 50-58).

As per claims 6, 9, 14, 16-23, 27, 30, 35, 57, 65, and 76, Harrington et al. teach an auction system with specific auction start times and end times, price improvement conditions, entering pre-defined conditions before or after an order is entered, determining whether a match price falls outside of a spread specified by the order (figures 6, 12, and 15; column 10, lines 22-31). In particular, Harrington et al. teach orders that specify a minimal acceptable price improvement (figure 15), executing a trade between an order (e.g. first order) (column 12, lines 7-30). Therefore, it would have been at least obvious to one of ordinary skill to expire the auction process at the end time. Harrington et al. apply their system to the sale of financial products. And while the Harrington et al. system is dedicated to initial offerings, financial markets are old and well known, hence it would have been obvious to one of ordinary skill to use a market maker, specialist and/or brokerage to sell shares, bonds and/or derivatives. Similarly, as Harrington et al. teach best bids (figure 6), it would have been obvious to define a "best bid" as a national best bid. Clearing corporations and their functions are old and well known, therefore it would have been obvious to one of ordinary skill to

refer a completed transaction to a clearing corporations in order to validate the transaction.

9. Claims 3, 5, 12, 13, 26 and 73 are rejected under 35 U.S.C. 103(a) as being unpatentable over Harrington et al., U.S. Patent No. 6,161,099 in view of Silverman et al., U.S. Patent No. 5,136,501.

As per claims 3, 5, 12, 13, 26, and 73, Harrington et al. teach an auction system receiving bids during an exposure time, matching bids with an order, identifying the best bid and silent or secret auctions (figures 6 and 15; column 1, lines 36-50). However, Harrington et al. do not explicitly recite a method for determining a best bid. Silverman et al. teach an anonymous matching system that matches bids with orders based on quantity, price and time (e.g. order, oldest response) (figures 13-18; column 4, lines 6-26; column 6, lines 55-68; column 16, lines 36-46; column 17, lines 18-45; column/line 18/35-19/31). Therefore, it would have been obvious to combine the teachings of Harrington et al. and Silverman et al. in order to increase system efficiency.

Conclusion

10. Applicant's amendment necessitated the new ground(s) of rejection presented in this Office action. Accordingly, **THIS ACTION IS MADE FINAL**. See MPEP § 706.07(a). Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire **THREE MONTHS** from the mailing date of this action. In the event a first reply is filed within **TWO MONTHS** of the mailing date of this final action and the advisory action is not mailed until after the end of the **THREE-MONTH** shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than **SIX MONTHS** from the date of this final action.

11. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure:
- Workz.com discloses common auction formats
 - The American Heritage Dictionary ,second college edition

12. Any inquiry concerning this communication or earlier communications from the Examiner should be directed to Calvin Loyd Hewitt II whose telephone number is (703) 308-8057. The Examiner can normally be reached on Monday-Friday from 8:30 AM-5:00 PM.

If attempts to reach the Examiner by telephone are unsuccessful, the Examiner's supervisor, James P. Trammell, can be reached at (703) 305-9768.

Any response to this action should be mailed to:

Commissioner of Patents and Trademarks
c/o Technology Center 2100
Washington, D.C. 20231

or faxed to:

(703) 305-7687 (for formal communications intended for entry and after-final communications),

or:

(703) 746-5532 (for informal or draft communications, please label "PROPOSED" or "DRAFT")

Hand-delivered responses should be brought to Crystal Park 5, 2451 Crystal Drive, 7th Floor Receptionist.

Any inquiry of a general nature or relating to the status of this application should be directed to the Group receptionist whose telephone number is (703)


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308-1113.

Calvin Loyd Hewitt II

April 29, 2003



JAMES P. TRAMMELL
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